



RRB News

U.S. Railroad Retirement Board

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Year 2003 Railroad Retirement and Unemployment Insurance Taxes

Railroad retirement tax rates on employees remain the same in 2003 while the overall rate for employers decreases, but the amounts of compensation subject to these payroll taxes increase for both employees and employers as a result of indexing to average national wage increases. The railroad unemployment insurance experience-based tax rates paid by employers to fund railroad unemployment and sickness insurance benefits in 2003 will continue to include a surcharge of 2.5 percent.

Retirement Taxes. - The railroad retirement tier I payroll tax rate on covered rail employers and employees for the year 2003 remains at 7.65 percent, and the tier II tax rate on employees will remain at 4.90 percent in 2003, but the tier II tax rates on employers and employee representatives will decrease to 14.20 percent in 2003. The tier II tax rates for employers and employee representatives had been 15.60 percent and 14.75 percent, respectively, in 2002. An employee representative is a labor official of a non-covered labor organization who represents employees covered under the Acts administered by the Railroad Retirement Board.

The railroad retirement tier I tax rate of 7.65 percent for employers and employees is the same as the social security tax, and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to \$87,000 in 2003 from \$84,900 in 2002. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and 14.20 percent on employers, will increase to \$64,500 from \$63,000.

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In 2003, the railroad retirement tax on an employee earning \$87,000 will be \$9,816.00 compared to \$6,655.50 under social security, and the employer's tax will be \$15,814.50. In 2002, the regular railroad retirement tax on an employee earning \$84,900 was \$9,581.85 and the employer's regular railroad retirement tax on such an employee was \$16,322.85.

The Railroad Retirement and Survivors' Improvement Act of 2001, among other provisions, amended the Internal Revenue Code to reduce tier II tax rates on rail employers in 2002 and 2003, and provided for future adjustments in the tier II tax rates assessed on both rail employers and employees, depending on railroad retirement fund levels.

Unemployment Insurance Taxes. - Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. The basic tax rates range from a minimum of 0.65 percent to a maximum of 12 percent on monthly earnings up to \$1,120 in 2003, up from \$1,100 in 2002. However, the Railroad Unemployment Insurance Act also provides for a surcharge in the event the Railroad Unemployment Insurance Account balance falls below an indexed threshold amount, and such a surcharge of 2.5 percent applied in 2002. Since the accrual balance of the Railroad Unemployment Insurance Account was \$40 million on June 30, 2002, which was less than the indexed threshold of \$57 million, a surcharge of 2.5 percent will again be added to the basic tax rates in 2003, but not so as to increase the maximum 12 percent rate.

Consequently, in 2003 the unemployment insurance tax rates on railroad employers will range from 3.15 percent (the minimum basic rate of 0.65 percent plus the 2.5 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,120.

The 2.5 percent surcharge will not apply to new employers in 2003, and new employers will initially pay a tax rate of 2.36 percent, which represents the average rate paid by all employers in the period 1999-2001.

For 68 percent of covered employers, the unemployment insurance rate assessed will be 3.15 percent in 2003, which is \$35.28 per month for each employee with earnings of \$1,120 or more per month, and 12 percent will be assessed a rate of 12 percent, which is \$134.40 per month for each employee with earnings of \$1,120 or more per month.